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THE MANY FACES OF MEXICO

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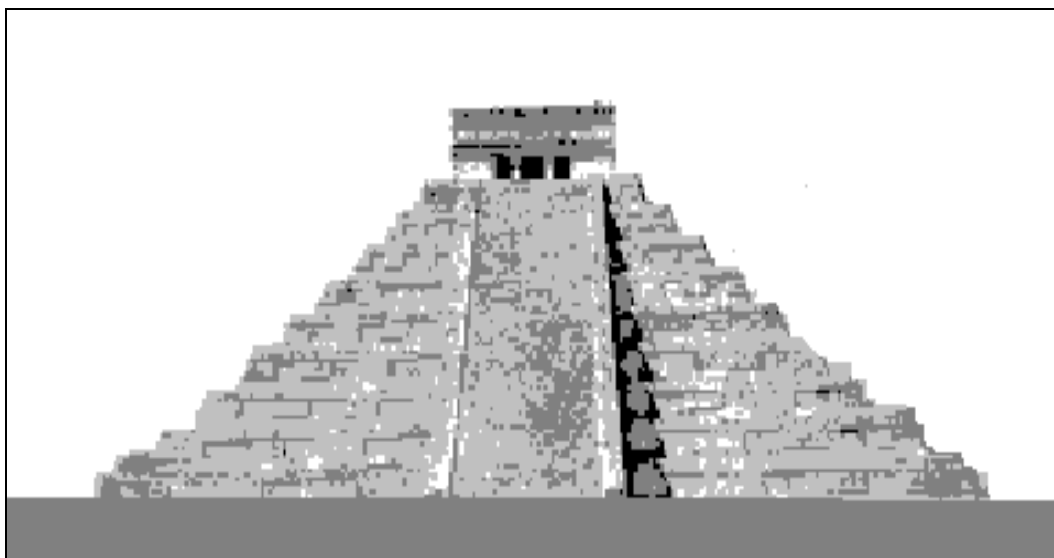
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January 1997

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DIGEST

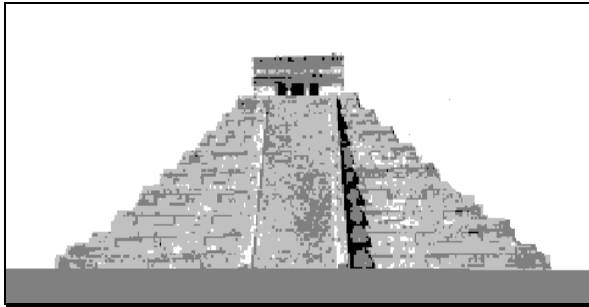
California was once part of Mexico and has an important long standing relationship with its rich culture and diverse people. Increasingly, California public policy is intertwined with Mexico, most notably in issues touching on immigration and population growth; education, social and health services; and economic development (for example the Tijuana-San Diego regional economy, and agricultural/service sectors).

The goal of this report is to provide California policymakers with a detailed and succinct background discussion of some of the key demographic, education, health, economic, and political factors that characterize modern Mexico. The report generally does not examine border issues, nor does it feature current events. Whenever possible, the analysis relies on state level data, providing a richer understanding of Mexico's complex and distinct regions. The reader should gain an appreciation of the challenges posed by Mexico's rapidly growing, diverse population, the country's depressed domestic economy and its troubled political environment.

The first section of the report presents an integrated narrative highlighting selected aspects of the major research topics, illustrated by maps and charts. The appendices are in-depth background papers examining some of those topics. Principal data sources include INEGI (the Mexican Census Bureau), the World Bank, the International Monetary Fund, the InterAmerican Development Bank, the Organization for Economic Cooperation and Development, *El Financiero International Edition*, and publications of the Center for U.S.-Mexican Studies at the University of California, San Diego.

GENERAL OVERVIEW

Mexico is an extremely complex and ancient society, perhaps best understood by a metaphor. In 1961, the poet Octavio Paz wrote:



“Mexico is inhabited by a number of races speaking different languages and living on different historical levels-- Prehistoric Indians, Counter-Reformation Catholics, and Marxists. Hostile beliefs and feeling are superimposed, just as an Aztec pyramid always conceals an older structure.”¹

Deep social cleavages and inequalities are rooted in differences in race, economic status, culture and region, generating serious tensions. Those tensions have been exacerbated during the last 15 years by increasing political violence, corruption and economic stagnation. Current events sometimes read like a mystery novel, with unsolved assassinations and conspiracy theories.² As Carlos Fuentes, a famous Mexican novelist, explains“...in Mexico nothing is strictly linear.”³

Geography and Some History



The United Mexican States has a population of 93 million people living in 31 states and more than 2,300 municipalities. (Municipalities are similar to county government in the United States). The Federal District, Mexico City, is one of the largest cities in the world, with a population of more than 15 million people, according to the United Nations.

Mexico was twice its current size prior to Texas' annexation by the United States and the Mexican American War of 1846-1848. Texas,

California, Nevada, Utah, most of New Mexico and Arizona, and parts of Colorado and Wyoming were part of the Mexican national territory. A long history of U.S. political and military interference in Mexican affairs has left lingering sensitivities and concerns about American actions and intentions. “Poor Mexico! So far from God and so close to the

¹ Octavio Paz, *Labyrinths of Solitude*, 1961.

² The ruling PRI party candidate for President, Luis Donaldo Colosio, and the head of the party, Pepe Ruiz Massieu, were assassinated in the last 2 1/2 years. Eight law enforcement officials investigating the Colosio case have been murdered. The former President's brother is charged in the Massieu murder.

³ Carlos Fuentes, “Introduction” in *The Diary of Frida Kahlo*, page 8.

United States,” is a lament attributed to Porfirio Diaz, dictator for three and a half decades prior to the 1910 Mexican Revolution.

The 1910-1917 Mexican Revolution was a chaotic struggle among armies, led by conservative wealthy ranchers and merchants in the north, and a peasant rebellion led by Emiliano Zapata in the south. The northerners won, but the new government retained the nationalistic and agrarian mythology of Zapata (who was murdered by his rivals). This contradictory legacy is central to understanding modern Mexican history.

Politics and Governance

There are striking contradictions between form and reality in Mexico's government. The constitutional government is democratic and federal in form, but in reality the government is often described as authoritarian⁴ and is highly centralized.

The degree of centralization is evident in the tax base: The national government collects 99 percent of all taxes, of which less than 20 percent are redistributed to states and municipalities (OECD). The national government makes the major policy decisions and directly administers most social and economic programs. For example, Mexico's schools follow a national curriculum and teachers are employees of the federal government.



A single party, the PRI (Institutional Revolutionary Party), has ruled Mexico since 1929, providing stability and general elite agreement on the rules of political competition. The PRI is the only Mexican party allowed to use the red, white and green colors of the Mexican flag. Power is centralized, hierarchical and top-down, and is built on patron-

*client relationships.*⁵ The all powerful President was also the PRI party leader until President Zedillo declined the position. Labor and peasant organizations are dependent on the regime and are widely regarded as corrupt. The world's longest ruling party, the PRI won all national, gubernatorial, and significant municipal elections until the late 1980s, when significant numbers of opposition party members were elected to Congress and the first opposition PAN (National Action Party) Governor, Ernesto Ruffo, was elected in Baja California del Norte.

A “winner takes the spoils” corruption has helped the PRI maintain power. Its manifestations include violence, political assassination, electoral fraud and media

⁴ “The PRI (Institutional Revolutionary Party) is almost 68, the oldest state party in the world, the most durable authoritarian regime this century has known.” Sam Quinones, *Los Angeles Times*, November 20, 1996, page B9.

⁵ Andres Oppenheimer examines the PRI in his 1996 book *Bordering on Chaos: Guerrillas, Stockbrokers, Politicians and Mexico's Road to Prosperity* (Little, Brown and Company). He contends that the PRI is not ideological, but rather a collection of competing political clans and bosses which share in the spoils of corruption.

manipulation (government payments to journalists and publishers are common). Electoral fraud has been common, although the 1994 national election was by all accounts a relatively fair one: President Zedillo was elected by 48.8 percent. In contrast, many observers contend that the last President, Carlos Salinas de Gortari, actually lost the 1988 election to the PRD (Party of the Democratic Revolution) candidate of the center-left, Cuauhtemoc Cardenas. The machines counting votes broke down when Salinas de Gortari was behind; he was ahead when they became operational again.

Political violence is not uncommon; nearly 400 members of the PRD have been killed since the 1988 election (Cornelius). Many analysts contend that the assassinations of the PRI candidate for President, Luis Donaldo Colosio, and the Party Secretary, Ruiz Massieu, suggest increasing intra-party conflict and violence between PRI “dinosaurs” and reformers.⁶ The PRI elite is concerned with preserving its economic privileges and impunity from past abuses.

Power is concentrated in the President, who wields broad and extensive powers. Mexican Presidents have served as the PRI party leader and picked their own successors from a close inner circle of advisors.⁷ They have also selected all major candidates for key electoral, executive and judicial positions. The President can compel governors and mayors to resign: the last President, Carlos Salinas de Gortari, compelled 17 governors to resign. PRI majorities in Congress and the states have generally rubber-stamped presidential initiatives.

The President is limited to a single 6-year term (in contrast, officials at other levels cannot be reelected to consecutive terms). Thus national policies tend to have 6-year cycles. For example, peso devaluations generally have occurred at the end of a presidential term.

Presidents, their families and close associates have been accused of enriching themselves at public expense, yet were seemingly beyond the reach of prosecution until the arrest last year of Raul Salinas, brother of former President Salinas. Massive corruption is increasingly tied to drugs, threatening governmental legitimacy.⁸ Federal and state law enforcement agents and members of the judiciary are implicated (for example, former Attorney General Lozano fired 737 officials and agents). According to analysts, the rule of law--“the protection of individuals from the government’s abuse of its arbitrary power--has never been . . . an integral feature of Mexico’s legal system.”⁹

⁶ Nora Lustig argues that “A primary threat to Mexico’s democratic transition is the so-called old guard of the PRI, those who stand to lose if the political system becomes more open and competitive and if corruption is no longer tolerated.” “Mexico: The Slippery Road to Stability,” *The Brookings Review*, Spring 1996, page 5.

⁷ President Zedillo has stated his intention to break with this tradition.

⁸ Transparency International ranks nations by the amount of corruption in public and business transactions. On a scale of 0-10 (maximum), Mexico ranked 6.7 in 1996, 38th out of 54 countries, the U.S. ranked 2.34, and the Russian Federation 7.42. See <http://www1.gwdg.de/~uwww/histor.htm>.

⁹ Luis Rubio and Beatriz Magaloni, “Whose Rule of Law?”, *Enfoque*, Center for U.S.-Mexican Studies, University of California, San Diego, Fall 1996, page 3.



Four states have elected conservative opposition PAN governors: Baja California del Norte (twice), Chihuahua, Zacatecas, and Guanajuato. Baja California del Norte also elected a PAN Congress (state legislature). PAN originated in northern Mexico. Its voters tend to be younger, more educated, and to live in urban areas. The party champions individual rights, decentralization from Mexico City, anti-corruption and private sector initiatives.

The second major opposition party is the center-left PRD (Party of the Democratic Revolution), several of whose candidates may have actually won popular majorities in elections they lost due to electoral corruption (notably the 1988 Presidential election and the 1994 gubernatorial election in Tabasco). PRD candidates recently won several important mayoral races. Nearly one half of Mexico's population now lives in a state or city governed by an opposition party official. Previously nomination by the PRI was tantamount to election.

President Zedillo appears to support some opening in Mexico's political system. For example, the first election for Mexico City's Mayor (previously appointed by the President) will be in 1997. Elections in 1997 will replace the entire national legislative Chamber of Deputies, half the Senate and a dozen governors. Some analysts believe that the PAN could win control of the national Congress in 1997, and that the party will field a strong contender for the presidency in 2000. However the PRI has proven resilient in the past and the legal structure greatly favors it.¹⁰

*Mexico's current economic crisis could "put an end to the Mexican political system as we know it."*¹¹ Armed groups are operating in the impoverished south, including the Popular Revolutionary Army (EPR), which opposes free-market economics and closer ties to the U.S., and the indigenous Zapatistas. Under one scenario, the ruling PRI regime could slowly disintegrate, leading to a decentralization of power and regional "bosses." However polls suggest that the Mexican people are generally conservative, preferring economic progress and social stability.¹²

¹⁰ Political reforms agreed to by the major parties in mid-1996 were scuttled by the PRI majority in Congress, assuring continued PRI domination of political funding and media access, and prohibiting coalition candidacies.

¹¹ Carlos Fuentes, quoted in Wayne Cornelius, page 9.

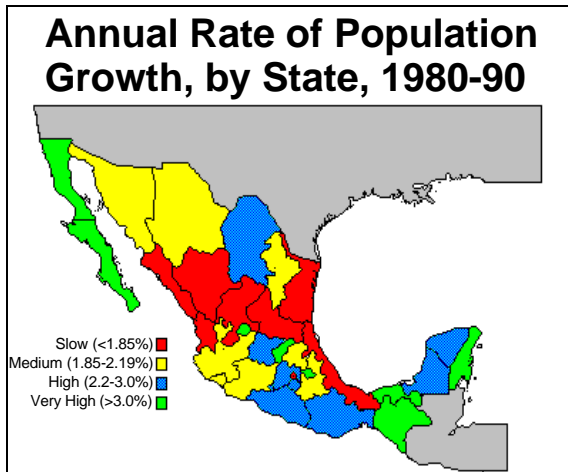
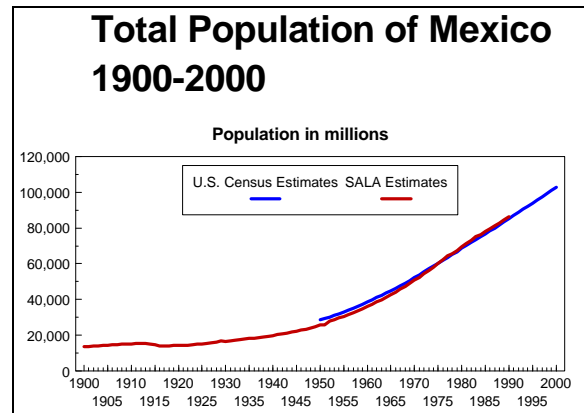
¹² See Andres Oppenheimer, pages 151-155; also the *Los Angeles Times*, September 14, 1996, p. A1.

POPULATION

Mexico has experienced tremendous population growth since the 1910 Revolution, particularly in the last 40 years. The population has nearly tripled since 1950. Birth rates are declining, but absolute growth is still significant. Mexico's current population is 93 million and is expected to reach 106 million by the year 2000.

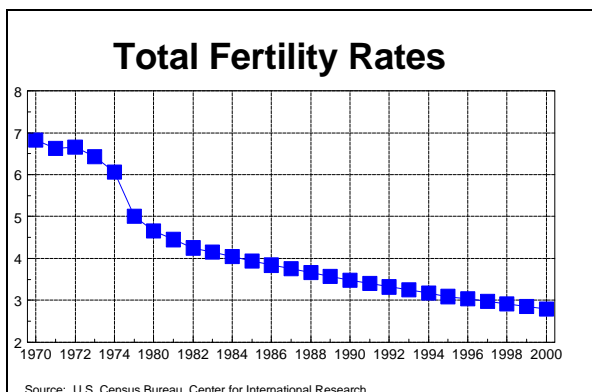
The map below shows the annual population growth rate, by state, from 1980 to 1990.

There is a great deal of regional variation. The green states have the highest growth rates and the red the least. The reasons for high population growth vary:



- Baja California has a relatively low population base but high growth rates due to internal migration. Mexico's border states have 86 percent of Mexico's *maquiladora* assembly jobs, drawing workers from other states. They also serve as staging areas for immigration to the U.S.
- Quintana Roo on the southern Yucatan peninsula has high fertility rates and attracts internal migrants to work in the tourist industry.

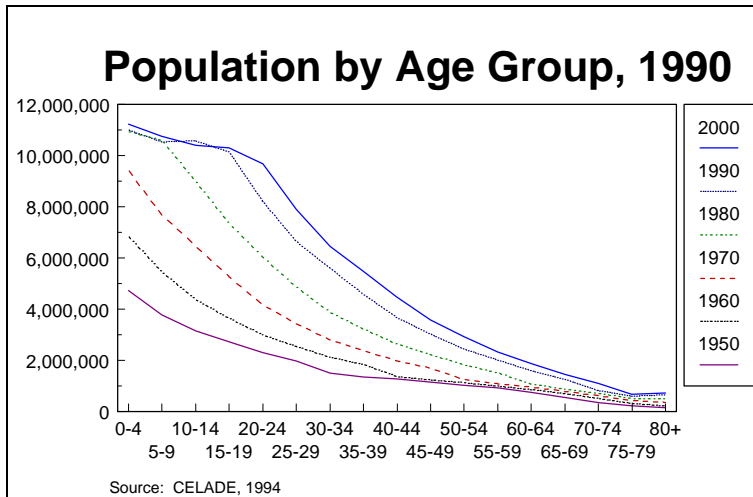
- The state of Chiapas next to the Guatemala border--the location of the Indian Zapatista rebellion--has virtually no internal migration but has very high fertility rates (characteristic of a poor, rural population).



Total fertility rate measures the average number of births that a woman will have in her lifetime.

Mexico's fertility rate of nearly 7 was one of the highest in the world in the early 1970s. It has declined to nearly 3 since that time. Key variables related to Mexico's declining fertility rate include the improved status and educational attainment of women and a successful

family planning program that stresses 2 children per family.¹³ Even Mexico's television soap operas advertise family planning. In comparison, California had a fertility rate of 2.4 in 1992. California Hispanics had a fertility rate of 3.5.¹⁴



Mexico's population is very young; over half is under 20 years of age. This shifting age profile shows the impact of the high fertility rates of the 1970s. Even with declining birth rates, the absolute number of births remains high because of growing cohorts of women in child-bearing years. Of particular importance are the significant increases in the 15 to 19 and 20 to 24 year old

age groups. These are the groups most likely to be entering the labor force for the first time.

Mexico's Labor Minister estimates that the economy would have to grow by 8 percent annually to produce enough jobs for Mexico's youthful population. A study by the Mexican Association of Industrialists estimates that 16.2 million Mexicans will be unemployed or under-employed by the end of the century (*El Financiero International*).

The government defines "indigenous" as one who speaks a language other than Spanish, a characteristic of 7.9 percent of Mexico's population over the age of 5 in 1990 (INEGI).¹⁵ Mexico has 56 ethnic groups who speak 100 indigenous languages.

There is no consensus on the definition of an Indian in Mexico. Blood, language, costume, territory and economic status are all involved. An Indian who wears western clothes, speaks Spanish, and is part of the "economically active population" belongs to the mainstream mestizo (or "mixed") society.

¹³ Between 1970 and 1992, the number of women between the ages of 15 and 49 entering the workforce nearly doubled. (Mexican Social Security Institute)

¹⁴ India's fertility rate from 1990-1995 was 3.7, South Korea's was 1.7.

¹⁵ Wayne Cornelius contends that Indians of all ages constitute 15 percent of Mexico's population (page 11).



This map shows that individuals who speak indigenous languages are clustered primarily in Mexico's southern and central states, home of important pre-Conquest Indian societies. Red-colored states have the highest concentration of indigenous speakers, followed by yellow, blue and green with the least.

Indigenous Mexicans constitute a destitute minority and live primarily in impoverished rural areas with poor health and

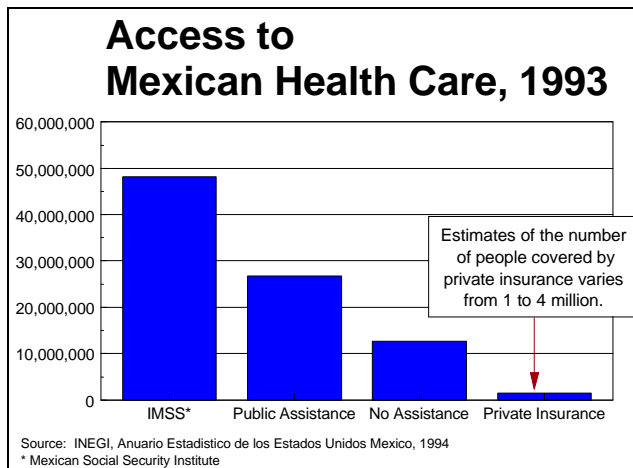
education indicators. They primarily engage in subsistence farming, farm labor and craft work outside of the monetary “formal” economy. According to the Organization of Economic Cooperation and Development, discrimination contributes to the poor status of Mexico’s Indian population.

The Mexican government is negotiating with rebel Zapatistas in Chiapas about proposals which would amend national and state constitutions to guarantee respect for Indian languages, culture and lands.¹⁶ A tentative agreement specifies that the number of Indian representatives at the state and federal levels would be expanded and that Indian groups would gain greater legal and financial powers. Negotiations between the government and the Zapatistas on many disputed points continue.

¹⁶ Chapter 1, Article 4 of the Mexican Constitution requires that Mexican law “...protect and promote the development of [indigenous] languages, culture, habits, costumes, resources and forms of social organization.”

HEALTH

The Mexican Constitution contains many aspirational sections guaranteeing a wide array of social services to its citizens.¹⁷ In 1983, Article 4 was amended to guarantee public access to health care services.



There are three health care systems in Mexico--public assistance for the poor, public insurance for the working classes, and private insurance for the wealthy. Over 10 million people do not receive any health care. These people live primarily in small villages or in marginal areas of large cities.

The quality of the public assistance health care system is generally low and availability varies, with rural

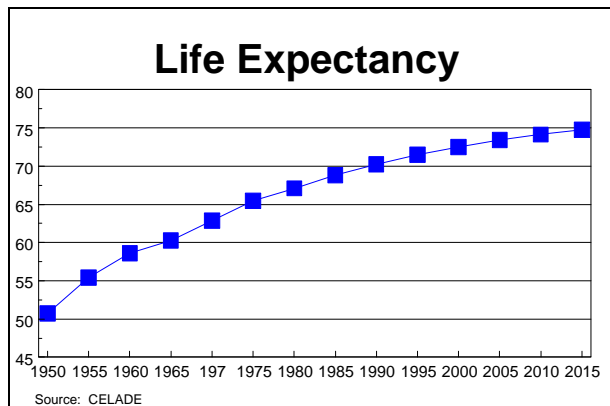
areas the least well served. Services are provided primarily by the Secretariat of Health and are financed largely by the federal government. Supplemental patient fees are required, determined by ability to pay. Per person spending decreased 50 percent from 1983 to 1990 and continues to decrease, raising concerns about quality, access and availability (particularly in rural areas).

Public medical insurance through the Mexican Social Security Institute (IMSS) serves some 49 million employees and their families.¹⁸ Other public insurance systems cover government workers. Employee contributions are mandatory. In general, public insurance health care providers are failing to keep up with the demand for medical services. One controversial option is for the government to encourage the expansion of private health insurance coverage (a potential market of interest to American insurance companies).

Private health insurance is available mainly to middle and upper income families who can benefit from tax deductions. Private health care services are also utilized on an emergency basis by people who do not want to wait for the limited public health insurance services.

¹⁷ Rubio and Magaloni contend that "According to the Constitution, Mexicans have no rights; they have guarantees from the government. At its core, the Mexican legal structure differs fundamentally from U.S. tradition." (page 3)

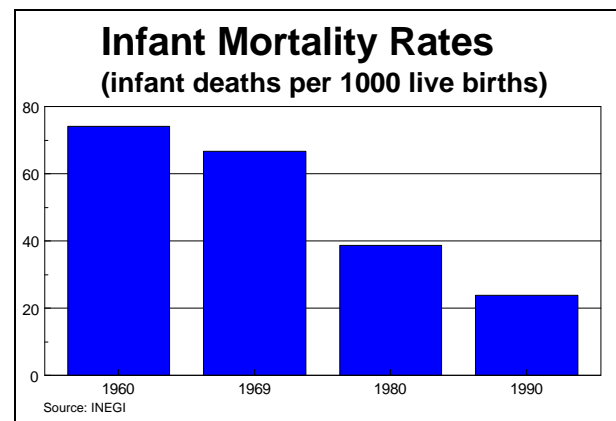
¹⁸ The Mexican Congress recently enacted a reform of the social security system which privatizes social-security pension funds to encourage increased domestic savings and thereby achieve sustained economic growth.



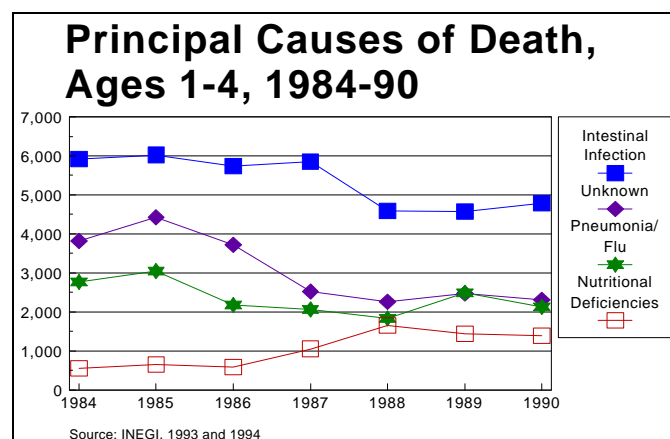
The average life expectancy in Mexico is over 70 years. Greatly improved life expectancy rates since 1950 reflect public investments in sanitation and health services.

Infant mortality has declined impressively since 1970. The government's rural midwife program has been instrumental in achieving continuing improvements since the early 1980s.¹⁹

Infant mortality data are limited by deficiencies in official registration for live births and deaths, particularly in indigenous communities. A study in the southern state of Chiapas found that most infant deaths in Indian villages are unreported, and that the infant mortality rate is 54.7 per thousand. A 1982 study found that estimates of deliveries without medical care ranged from 68 percent in Chiapas to 13 percent in Baja California del Sur.

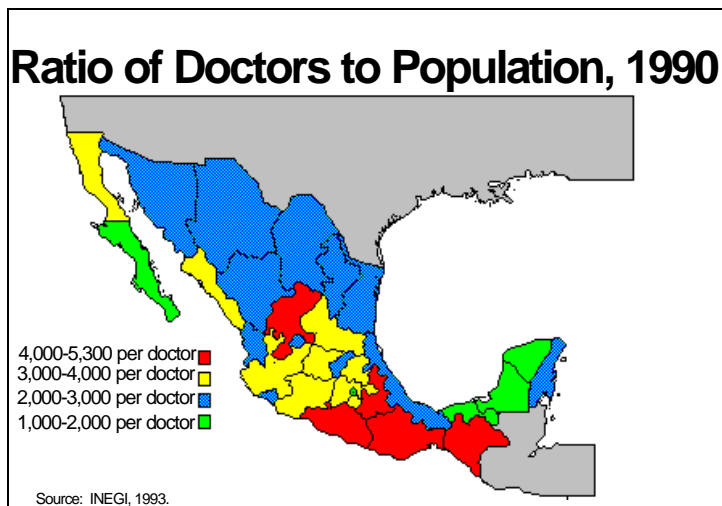


Diarrhea and respiratory infections are the leading causes of death for children ages 1-5.²⁰ In addition, malnutrition is widespread. Poor sanitation and food storage, particularly in rural areas, and parasitic diseases are important contributing factors. Overall water quality is considered acceptable in only 19 states.



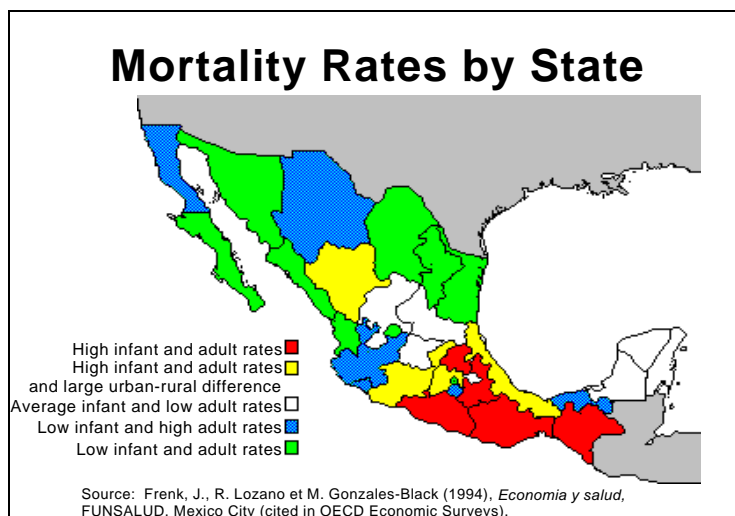
¹⁹ In comparison, the U.S. rate is 8 deaths per 1000 births. Bolivia's rate is 75 deaths per 1,000 births.

²⁰ According to a recent *Los Angeles Times* article, Mexico has reduced the number of deaths by diarrheal diseases by over 50 percent since 1990. The government has mounted an effective campaign to educate people about oral rehydration therapy and improved sanitation.



This map compares the ratio of doctors to population by state. The U.S. standard is 1 doctor for every 3,000 people.²¹ The red and yellow states do not meet this standard and have relatively larger medically underserved populations. The poorest, indigenous states in the south have over 5,000 people for every doctor.

Private clinics near the border serve Americans seeking alternative treatments and cheaper medical services and drugs. The Western Growers Association offers its employees health insurance coverage in Mexico and the U.S. The United Farm Workers will withhold payments from members' paychecks to provide public health insurance (IMSS) to family members in Mexico.



The 8 states north of Mexico City have the lowest adult and infant mortality rates (green and blue on the map). The southern region has the highest rates (yellow and red). Infant mortality in 1994 was 22.4 per 1,000 live births in the northern states (green), compared to 43.3 in the red states; the national average was 31.9. Differences in the incidence of infectious diseases account for a

significant amount of the variation and are explained in part by urban-rural dissimilarities, uneven availability and access to health care and differences in sanitary conditions and educational attainment.

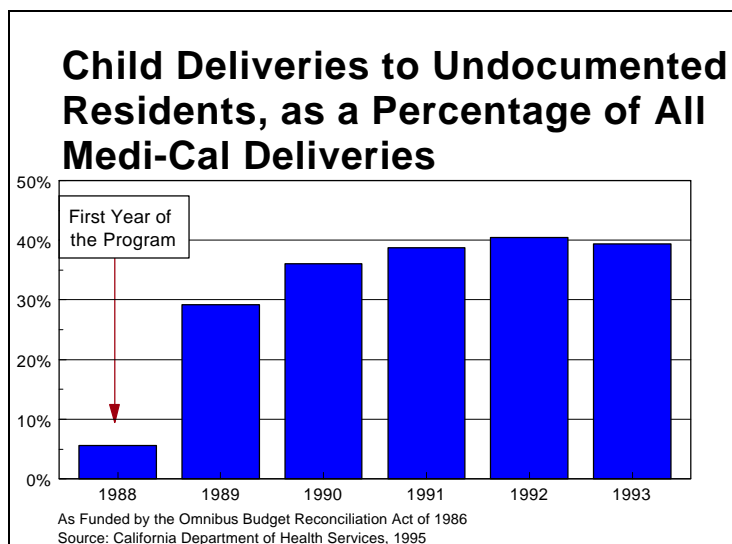
Reproductive services are an important reason that some Mexican residents choose health care in the U.S. A U.C. Berkeley study sampled women in Tijuana who gave birth from

²¹ The standard is set by the U.S. Department of Health and Human Services. California has a ratio of 1 doctor for every 800 people; the national average is approximately 1 to 1100. The U.S. standard is designed to identify medically underserved areas, which are primarily rural.

1982 to 1987 and found that 10.4 percent had crossed the border to give birth in the United States.

- 95 percent of the women were from Mexico's upper and middle class income sectors. Their primary reasons for choosing birth in the U.S. were the citizenship opportunities offered to their children and superior quality of care.
- Nearly 3/4 of the births were paid for in cash or by private insurance.
- 26 percent of the births were in public delivery settings.

In 1986, the U.S. Omnibus Federal Reconciliation Act (OBRA) required states to offer emergency and delivery services to indigent undocumented residents,²² funded by the federal government. (Recent federal legislation terminates the requirement and funding.)



The number of federally-funded Medi-Cal child deliveries of undocumented California residents (not just from Mexico) under OBRA increased dramatically, from 6 percent of all Medi-Cal deliveries in 1988, to 39 percent in 1993. Absolute numbers increased from 7,900 to 91,600.

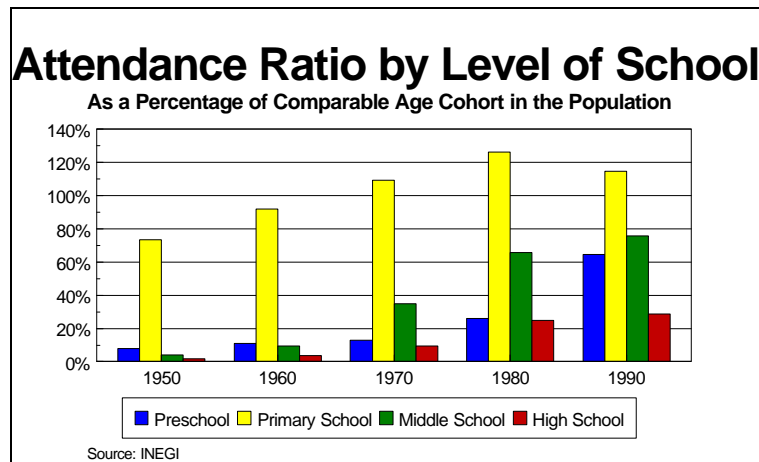
Many of these were young mothers. Twenty-nine percent of the teenage

mothers who gave birth in California in 1993 were born in Mexico, according to the Department of Health Services.

²² Federal law required that individuals receiving these services have a green card (temporary work permit) or pending application. However some health care providers may have unevenly applied this requirement, according to state officials.

EDUCATION

Article 3 of the Mexican Constitution guarantees all people a free secular education. Virtually all students ages 7 to 12 have had access to primary school since the mid 1970s, and participation rates are very high.



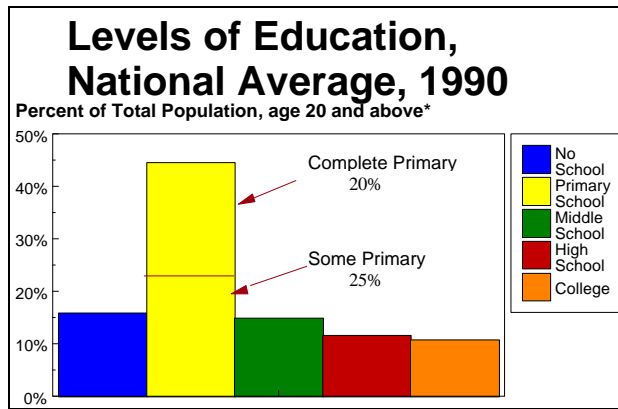
In 1990, 24 million children were in school; the average stay was 6.5 years. (Primary school participation on the chart is over 100 percent of the relevant age group beginning in 1970. This is due to older kids in primary school who are repeating grades or returning drop-outs.)

- Mexican schools require students to pass local examinations at the end of each school year in order to advance in grade level. Students who do not pass must repeat the grade; 11 percent of Mexico's primary school students repeated grades each year during the 1980s.
- Although primary school and books are free, poor families often cannot afford transportation and clothing costs.
- Many students drop out of school to help support their families. This is reflected in the official employment measure, which starts at the age of 12. One family economic strategy is for the older children to begin work at a young age, in part to help support their younger siblings' education.

The government is expanding opportunities for preschool education for 5 and 6 year olds (most primary schools do not offer kindergarten). Net enrollment increased from 14 percent in 1976-77 to about 64 percent in 1988-89. The World Bank and others view this as crucial to improved school performance.

Education at the junior high school level has been mandatory since 1993 and participation is increasing. High school enrollment is low, but many high school students go on to

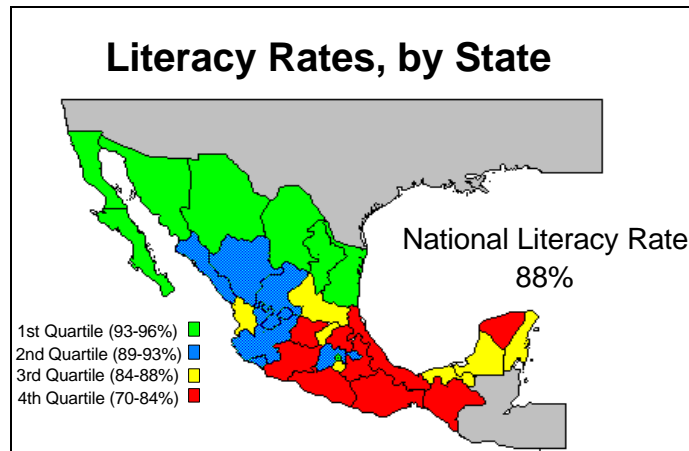
college. High schools are either university-track or technical, and are primarily available in the large urban areas. Public universities have their own affiliated high school systems.



This chart illustrates the level of educational attainment of Mexico's population in 1990. All categories include both some and completed schooling at each level. Mexicans over 15 years old had completed 4.7 years of school on average in 1990.

This map shows literacy rates by state in 1990. Literacy measures a basic ability to read and write. It is self-assessed for census purposes. Basic literacy assumes 4 years of school.

The national literacy rate for individuals ages 15 and older was 88 percent in 1990, compared to 57 percent in 1950. Despite this impressive progress, six million adults over the age of 15 were illiterate. Literacy varies by age: 96 percent of the 15 to 19 year olds were literate in 1990, compared to 63 percent of individuals over 65 years old.

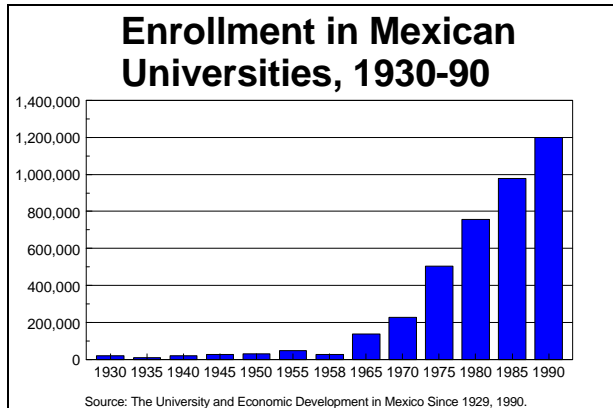


Literacy rates vary significantly by state and region. The southern and central states (red and yellow on the map) generally have lower literacy rates. Literacy rates are highest in the border states and in the Federal District.²³ Public investments in education are lower in the southern states.²⁴ For example, 44 percent of the primary schools in Chiapas do not offer all 6 grades of primary school, and another 29 percent are one-room schools.

Small villages have the largest number of inhabitants who have no school or only some primary school experience. In rural areas, 75 percent of school age children do not finish the first 6 years of primary school.

²³ A similar regional distribution occurs when comparing the number of people with no schooling, primary school dropout and repetition rates, or the number of people who speak indigenous languages.

²⁴ In Mexico City, 81 percent of children finish grade school, compared to 31 percent in Chiapas (*El Financiero International Edition*, February 26-March 3, 1996, page 9.)



University undergraduate enrollment has skyrocketed since the late 1960s. In part this reflects the Mexican government's response to 1968 student riots, in which access to higher education was a key issue. These data do not measure quality. Enrolled students in public universities may take as few as one course every 2 years, and the vast majority of faculty are part-time and paid by the hour.

In 1987, there were 362 universities in Mexico, 191 of which were private. Ideological perspectives vary. Observers generally characterize public universities, most notably UNAM (the Autonomous National University of Mexico in Mexico City), as tending to the left in political orientation. Private universities, such as the Monterrey Technological Institute, tend to be more business-oriented. U.S. degrees are prestigious; Mexico's last two Presidents have held doctorates from Ivy League universities. Mexico supports approximately 3,000 graduate students in the U.S. According to the OECD, Mexico has a growing unemployment problem for individuals with traditional academic or professional degrees and an insufficient number of trained qualified technicians.²⁵

The North American Educational System at a Glance			
	CANADA	U.S.	MEXICO
Literacy (%)	99.0	99.0	88.5
Required years	10-11	10-11	9
Average years of schooling	12.1	12.3	4.7
College graduates (%)	14.3	15.5	2.5
Educational Spending (%)	7.2*	6.7**	3.2*
Basic organization	Decentralized	Decentralized	Mixed
Financing	Provincial	State	Federal
Federal participation (%)	3	8	78.3
Public system coverage (%)	95.4	86.0	86.0
Private system coverage (%)	4.6	14	14***
Parental participation	High	Medium/High	Low
Social and regional variation	Low	Medium	High
1/ For people aged 25 and over			
*/ As a percent of GNP			
**/ As a percent of GDP			
***/ Includes automotive schools.			
Source: Ministry of Social Development (Sedesol) (<i>El Financiero</i> , February 26-March 3, 1996)			

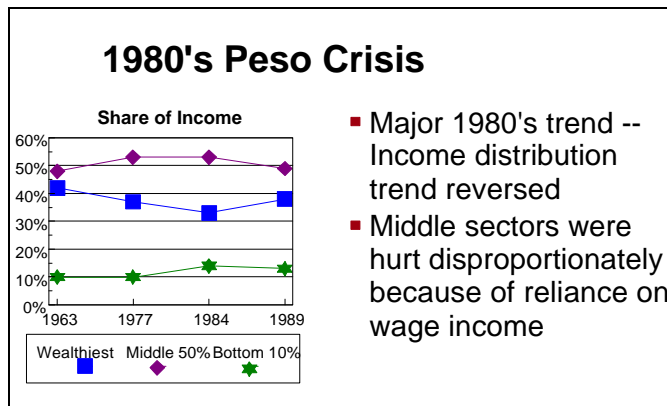
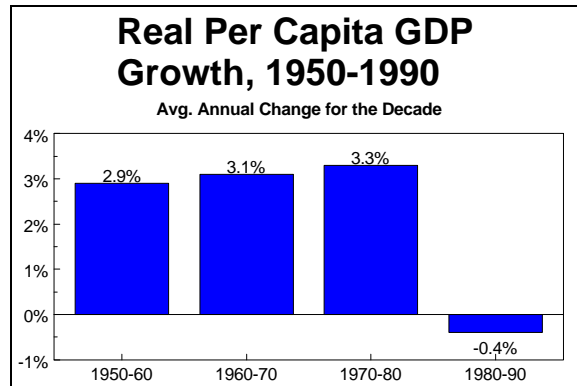
The average education attainment for Mexicans over the age of 25 is less than half that of Canada and the United States. The portion of GDP allocated to education is also about half as much. In a highly competitive global economy, which requires a well trained workforce, this is a disadvantage.²⁶

²⁵ The NAFTA agreement sets specific measurable goals for Mexico to double the number of technical degrees awarded by the year 2000 to 750,000, while reducing general education diplomas. (*El Financiero International Edition*, February 26-March 3, 1996, page 9.)

²⁶ Between 1987 and 1993, the wages of urban Mexican workers with higher education increased by 100 percent, while the wages of poorly educated workers increased by only 10 percent. (*El Financiero International Edition*, December 23-29, 1996, page 4.)

ECONOMY

During the 30 year period between 1950 and 1980, Mexico's real per capita GDP growth was impressive. However, in the 1980's Mexico experienced a severe economic crisis due to declining oil prices, protectionist economic policies, a deteriorating current account balance, and an accelerating foreign debt. The peso was devalued in 1982 and 1986. In 1985 Mexico City was devastated by a severe earthquake. Growth in GDP was negative for the decade.



The 1980s are often referred to as the "lost decade." Middle and working class wages declined, inflation skyrocketed,²⁷ and public services and food subsidies were cut. Meanwhile, the population grew rapidly.

The middle class share of the national income decreased during the 1980s. (Middle income is

defined as 1 to 5 times the minimum wage.) There appear to be several reasons. In general, the wealthy were able to shelter their money by moving investments into foreign currencies. The poor survived outside of the monetary economy. Thus, the wage earners in the middle class experienced the most significant impact of the crisis. Economic improvements in the early 1990s reversed this trend.

Mexico's December 1994, devaluation crisis hit the salaried middle class hard, in what has been called the worst recession in Mexico's history. The peso lost over half its value in 1995, unemployment doubled, inflation rose to 52 percent, and GDP declined by about 7 percent. Interest rates for cars, mortgages, and credit cards climbed an impossible 80 percent.²⁸ As a result, many creditors have been unable to repay loans, leading to business failures,²⁹ a highly politicized debtor movement (El Barazon) and a banking crisis.³⁰

²⁷ Inflation peaked at 159.2 percent in 1987. The accumulated inflation during the Salinas Presidency (1988-1995) was 95 percent.

²⁸ Government subsidies for basic food commodities and energy decreased by approximately one third while consumption taxes (VAT) increased by one third.

²⁹ The recession has forced about 17,000 businesses to close, according to the National Confederation of Industrial Chambers (*El Financiero International Edition*, December 23-29, 1996, page 8).

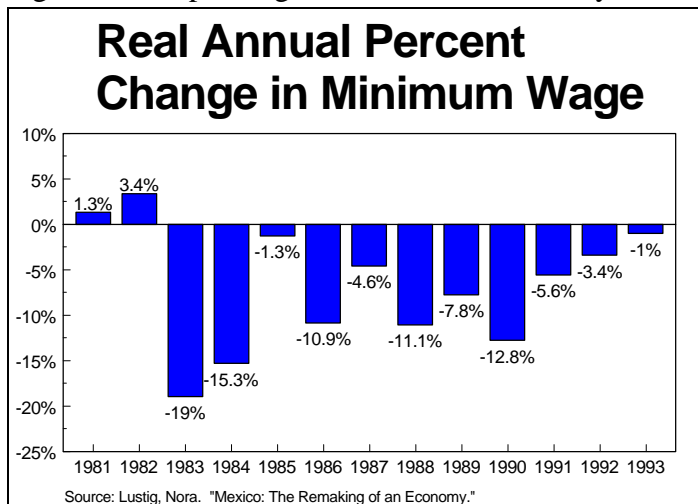
³⁰ Some 8 percent of GDP has been devoted to bank bailouts.

The first positive growth in Mexico's economy since the December 1994 peso devaluation occurred during the third quarter of 1996 when GDP increased by 7.2 percent (measured against the previous year's third quarter, which was 10.9 percent lower than in 1994). Economic growth has mainly been for the export market,³¹ with no real recovery in the domestic market (retail sales dropped 14% in 1996) or in Mexicans' real income, which continues to deteriorate. Annual economic growth was about 4 percent in 1996 (compared to a decrease of 7 percent in 1995), with 26 percent inflation.³²

Newspaper accounts suggest that Mexico's economic problems are generating increasing crime.³³ During the first 4 months following the 1994 devaluation, there was a 20 percent rise in the number of murders in Mexico City and a 12 percent rise in robberies against businesses. Official figures understate the incidence of crime, "...due to widespread unwillingness to report crimes due to distrust of the police."³⁴ The export and domestic consumption of illegal drugs, primarily cocaine, heroin and methamphetamine, are reaching record levels; border cities such as Tijuana are particularly hard hit.

When inflation is taken into account, Mexico's minimum wage has lost nearly 2/3 of its value in the last 15 years and is now one of the lowest in the world, about 1/9 of the average manufacturing wage for unskilled labor (Institute of Labor Studies of the Americas; OECD). It has consistently not kept pace with inflation.

The minimum wage is set by a national commission composed of a member from the government, the confederation of unions, and the business sector. There are 3 different wage levels, depending on location. In February 1996, the 3 minimum wage levels were:



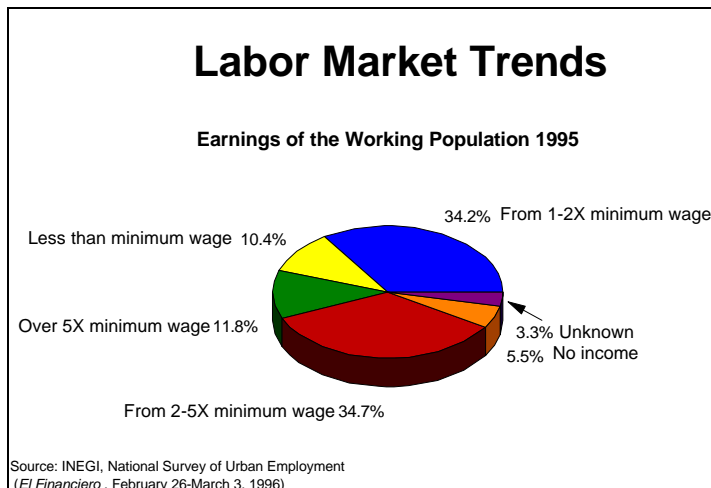
\$2.67 a day in Mexico City and other high cost areas, \$2.48 in median cost urban areas such as Guadalajara, and \$2.25 a day in most states and rural areas (at an exchange rate of 7.55 pesos to the dollar). An income equivalent to 2 minimum wages is the official threshold for poverty. In 1995, 84 percent of the population earned less than 5 times the minimum wage (INEGI).

³¹ The maquiladora border factories, oil, and automobiles are Mexico's largest export industries.

³² Total foreign debt in June 1996 was 98.48 billion dollars, equivalent to 27.3 percent of GDP. See <http://www.shcp.gob.mx/english/> for official economic information.

³³ Crime and corruption negatively affect economic growth, removing investment capital from the domestic economy.

³⁴ *El Financiero International Edition*, November 27-December 3, 1995, page 2.

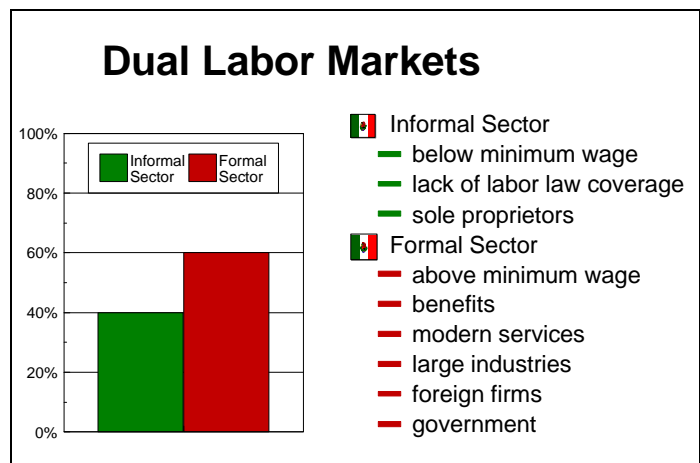


It requires earnings of more than 6 times the minimum wage to support an urban family of 4. According to a recent estimate, 56 percent of all Mexican households have a yearly purchasing power of less than \$5,000. A 1992 survey found that nearly 44 percent of the population, 37.2 million Mexicans, were living at or below the official poverty line.³⁵

The Mexican economy is segmented into formal and informal sectors by official economic statistics.³⁶

The informal sector includes an estimated 40 percent of the working population and is characterized by family-owned or small businesses, such as street vendors. Labor laws do not cover the informal sector.

The "formal sector" is characterized by modern services, large scale industries, and public sector employment. Over half of Mexico's workforce is employed in the formal sector. Employees may receive health and other benefits. Workers earn more than the minimum wage, which is used as a benchmark for salaries. For example, a teacher earned on average 4 times the minimum wage, or about \$10.50 a day in rural areas in July 1995.



Estimates developed by the Wharton School of Business Econometrics indicate that Mexico will add 881,000 formal sector jobs from 1985-1999, compared to 17.1 million new job seekers.³⁷ Recent research suggests that Mexico's informal sector may have

³⁵ Average purchasing power decreased 22 percent over the last 2 years. During the same period, the income of the 15 wealthiest Mexican families increased by 36 percent (to an equivalent of 9 percent of GDP). (*El Financiero International Edition*, December 23-29, 1996, Page 9.)

³⁶ Mexico's economy is small relative to the U.S., roughly equivalent in economic output to Los Angeles County.

³⁷ Wayne Cornelius.

peaked in its ability to absorb new workers.³⁸ The implications for increased migration are serious.

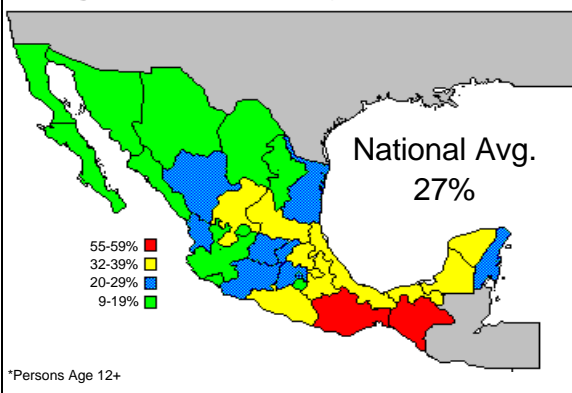
Mexico's relatively low open unemployment rate (6.4 percent in January 1996) is not a good indicator of labor market distress. This is because of the extremely broad definition of unemployment:

Any person 12 years or older who has worked less than 1 hour in a month for barter or money, was available for work, and who unsuccessfully sought work for the previous 2 months.

Open unemployment is calculated in 41 urban areas and does not measure rural economic distress, omitting between one fourth and one fifth of the labor force.

Mexico does not have general unemployment insurance nor a public assistance safety net such as welfare. During periods of declining wages, the strength of the Mexican family is critical to household survival. Children and spouses enter the informal labor market, often as street vendors. For example, during the recession years of 1985 to 1987, adult females increased their labor force participation by 16 percent and young males increased their participation by 25 percent.³⁹ Thus family household income does not decline as rapidly as individual income. Ninety percent of Mexicans live in nuclear families.⁴⁰

Population* Below Minimum Wage Income, by State, 1990



Mexico has significant regional variations in income. This map ranks states by the percentage of population which earns below the minimum wage. The northern states (green) have the fewest people with low incomes, under 20 percent. In contrast, between 30 to 40 percent of the population in the central (yellow) states is poor. Oaxaca and Chiapas in the far south are by far the poorest states (red) with between 55 and 59 percent of their population earning below the minimum wage.

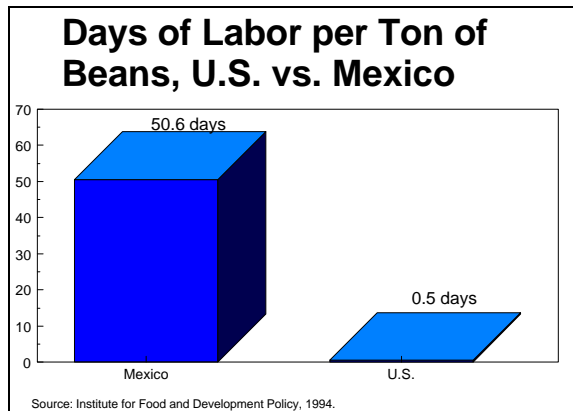
Mexico has a dual agricultural sector. A prosperous commercial agricultural sector, primarily in the Northwest, has access to credit, technology, and national and international markets. On the other hand, many subsistence farmers on small rain-fed plots of land,

³⁸ Agustin Escobar, presentation at the University of California, Davis, October 4, 1996.

³⁹ Mercedes Gonzalez de la Rocha, *The Resources of Poverty: Women and Survival in a Mexican City*. Blackwell, 1994.

⁴⁰ A recent poll found that Mexicans regard raising their children as their most important goal in life--more than wealth, fame, power or personal happiness. *Los Angeles Times*, September 14, 1996, p. A1.

mainly in the South, barely eke out an existence, raising primarily corn and beans for their own consumption.



An estimated 50.6 labor days are required to produce one ton of beans in Mexico, compared to just over half a day of work in the U.S. This is in part because beans are a subsistence crop in Mexico. However, even at lower labor costs, Mexican beans and corn cannot compete with U.S. crops.⁴¹

A disastrous two year drought in northern Mexico has caused over a billion dollars in direct losses. An estimated 15 million jobs were lost during the spring-summer growing season in 1996, causing many farm workers to look to the United States for work.

A quarter of Mexico's population lives in the rural agricultural sector and produces only 7 percent of the nation's GDP, suggesting continuing out migration. Some 70 percent of the Mexican population living in extreme poverty lives in rural Mexico. A 1993 national survey of agricultural employment found that 18 percent of the workers received wages, 48 percent were self-employed and 34 percent were unpaid. Nearly 70 percent of women in agriculture were unpaid.

1992 amendments to the Mexican Constitution reformed the country's land tenure system, allowing small landholders to sell their property rather than keep it in communal ("ejido") landownership.⁴² This may encourage migration from the countryside and increase large scale agricultural production. However private property rights are still qualified and land ownership is complex. Article 27 states that "The Nation shall at all times have the right to impose on private property such limitations as the public interest may demand..." Pressures for land redistribution (a key Zapatista issue) remain strong in the outskirts of cities and the countryside.

Mexico is a country of cumulative inequalities. The 8 poorest states are located in central and southern Mexico (see map below): Veracruz, Zacatecas, Puebla, Michoacan, Guerrero, Hidalgo, Chiapas, and Oaxaca. Mexico's southern states average 20 years behind the northern states in income, health and education."⁴³ Yet the northern states contain only 16 percent of Mexico's population. The following chart profiles the poorest

⁴¹ According to figures supplied during NAFTA negotiations, only 8 percent of Mexico's corn farmers were competitive at international prices in 1990, and only 35 percent were growing corn at a profit within the existing domestic price. John Gledhill, "The State, the Countryside...and Capitalism," in Aitken, Craske, Jones and Stansfield, *Dismantling the Mexican State?* St. Martin's Press, Inc., 1996, page 172.

⁴² *Ejidos* have been created for over 55 percent of the Mexican land area. Gareth A. Jones, "Dismantling the *Ejido*: A Lesson in Controlled Pluralism," in Aitken, Craske, Jones and Stansfield, page 188.

⁴³ Andres Oppenheimer, page 295.

states compared to the nation as a whole: they contain approximately one third of the population, nearly two thirds of Mexico's total indigenous population, and almost 70 percent of the nation's households living in extreme poverty.⁴⁴

Political instability in Mexico's poorest states is a reoccurring phenomenon. The Zapatistas in Chiapas and the Popular Revolutionary Army in Guerrero are the most recent examples.

Profile of the Eight Poorest States, 1990		
Characteristics		
Contribution to GDP		17%
Population		32%
Percent of Total Indigenous Population		65%
Percent of All Households in Extreme Poverty		69%
Infrastructure Comparison		
	State Avg.	National Avg.
Illiteracy	22%	12.5%
People w/o Electricity	24%	13.0%
People w/o Running Water	36%	21.0%
States are: Veracruz, Zacatecas, Puebla, Michoacan Guerrero, Hidalgo, Chiapas, and Oaxaca		
Source: Nora Lustig		

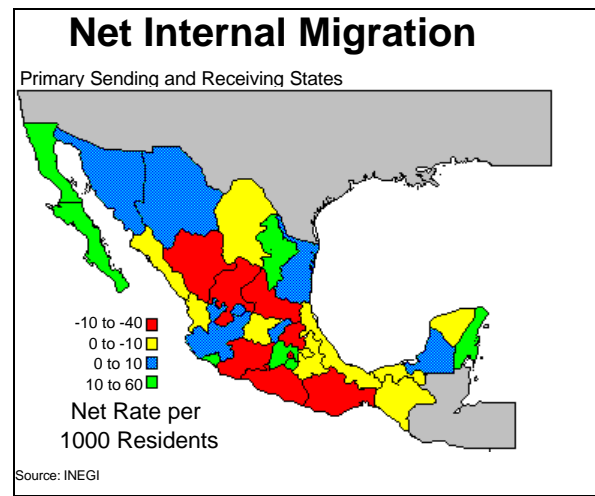


⁴⁴ A low income family's average income in Chiapas' southern border area is \$50 a month; that family's income would be 2.5 times higher on Mexico's northern border with Texas, and 24 times higher in Texas' relatively impoverished (compared to the U.S.) border county Maverick. See Enrique Suarez y Toriello and Octavio E. Chavez, *Profile of the United States-Mexico Border*, FEMAP, 1996, page 13.

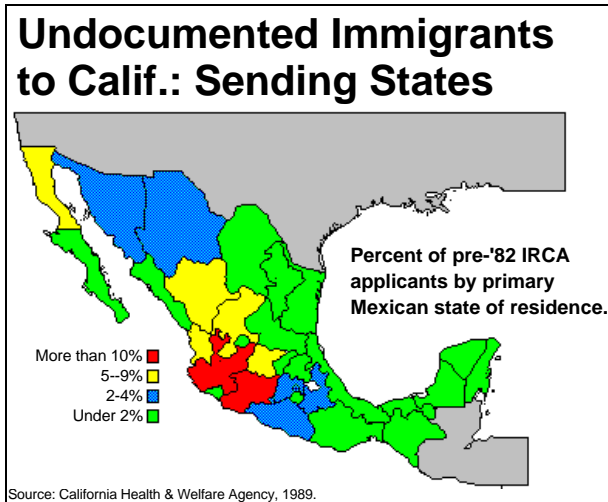
MIGRATION AND IMMIGRATION

Given Mexico's regional, racial, and urban-rural differences, it is not surprising that there is considerable internal migration. This map shows net internal migration patterns. Red and yellow are sender states; green and blue are receiving states. Most internal migration is from the poorer rural areas and small villages to large cities.

The Federal District was historically a primary destination for internal migrants. It is now one of the most densely populated cities in the world and has experienced a reversal in migration flows, primarily to the adjacent state of Mexico, since 1980.⁴⁵



California receives a majority of its Mexican immigrants from rural areas and small villages



in the red and yellow states. Jalisco and Michoacan (red on the map) were the origin of 44 percent of the IRCA amnesty applicants surveyed in California in 1989.⁴⁶ The Federal District contributed only 2 percent of the total. The poorest states in Mexico's south have historically not sent as many immigrants to California. One suggested explanation is that poor people do not have the resources to travel the greater distances. They may migrate internally as a first step.

Some states have been sending immigrants to California at least since the El Bracero program (1942-1964), which brought approximately 4 million Mexicans to work in the United States in seasonal agriculture. Social networks are in place that facilitate continuing immigration to the United States, often illegal.

⁴⁵ The Federal District's population density reached 15,000 per square mile in 1990, similar to that of San Francisco, compared to 2,000 per square mile in Los Angeles. Mexico City suffers from severe air pollution.

⁴⁶ Tijuana is the border city with the highest rate of migratory flow into the U.S., and an estimated 25 percent of all illegal immigration. See Suarez y Toriello and Chavez, page 16.

Undocumented Immigrants to Calif.: Sending States

	Place of Birth	Last Residence
Baja California Norte	8.6%	20.4%
Jalisco	24.8%	18.8%
Michoacan	13.0%	11.1%
Distrito Federal	6.7%	9.9%
Guerrero	9.8%	7.1%
Guanajuato	5.7%	4.6%
Oaxaca	4.1%	3.4%
Zacatecas	3.8%	3.1%

Source: UCSD, Center for US/Mexico Studies

The data in this chart are from a survey in Southern California and illustrate the stepwise nature of migration. People often move from one Mexican state to another before immigrating to the U.S. Jalisco, Michoacan and Baja California are important staging areas.⁴⁷ The data also indicate increasing migration out of the Federal District. Some are skilled urban workers, leaving a saturated labor market and declining middle class wage base.

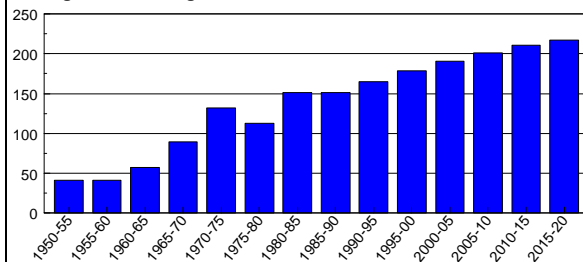
For others, Mexico City is a transition point on the way to the U.S.

These are rough estimates of annual net emigrants from Mexico (both legal and illegal) for 5 year periods. The projections are that emigration from Mexico is going to increase over the next 25 years. It is reasonable to assume that most emigrants will come to the United States.

Emigrants are important to the Mexican economy. Mexican workers in the U.S. send home almost \$4 billion per year.⁴⁸

Net Emigration from Mexico, Worldwide

Average Annual Emigration, In Thousands



Source: CELADE, 1994

Immigration to Mexico

Types of Immigrants

- Temporary workers (70,000* work permits in 1992, plus the workers' families)
- Undocumented residents
 - Temporary
 - Permanent
- Retired Americans (200,000+)
- Guatemalan refugees (46,000)

*1994 International Conference on Population and Development

Immigration from Central America to Mexico, and through Mexico to the United States, has increased dramatically in the last 15 years. The data are very limited.

Mexico has a temporary agricultural worker program. Some 70,000 seasonal agricultural workers from Guatemala and El Salvador and their families work in the export crops of coffee, sugar cane and bananas.

⁴⁷ The U.S. (primarily California) has "...absorbed from 20 to 40 percent of the population growth of Mexico's poorest Pacific Coast states, thereby reducing unemployment and raising wage levels of those who remained behind." Georges Vernez, *National Security and Migration*, RAND, 1996, p. 13.

⁴⁸ Remittances are Mexico's third largest source of foreign exchange, after oil and manufactured goods.

Mexican Constitutional Provisions for Foreigners

Mexico's 1917 Constitution was enacted after 7 years of civil war. It is a lengthy and detailed document which has been amended over 400 times. Chapter 1, Title 1 of the Mexican Constitution extends basic guarantees to Mexican citizens and foreigners, including: free education, health protection, decent housing, suitable work, speech, religious choice and fair trial. Many of these guarantees⁴⁹ are aspirational in nature and some, such as speech and property, are limited. For example, Article 6 states that, "The expression of ideas shall not be subject to any judicial or administrative investigation unless it offends good morals, infringes the rights of others, incites to crime, or disturbs the public order."

The Constitution prohibits foreigners from participating in Mexico's political affairs (they have no guarantee to petition nor assemble). They may not belong to the military nor hold certain jobs. Foreigners may be compelled to leave the national territory immediately without prior legal action. In response to criticism about treatment of Central American immigrants, the Mexican government has announced a "Program for the Protection of Immigrants on the Southern Border," to include monitoring of human rights and the distribution of cards informing immigrants of their rights under Mexican law.

At the end of 1996, the Mexican Congress enacted a Constitutional amendment enabling the approximately 5.5 million Mexican-Americans living in the United States to maintain dual citizenship.⁵⁰ (More than 2 million Mexican citizens or Mexican-born U.S. citizens live in Southern California.) Mexican-Americans may now own and inherit Mexican property and carry Mexican passports. The law will not allow Mexicans living outside the country to vote in Mexican elections, although the idea is being examined by a Congressional commission. Other unsolved issues concern military service and payment of Mexican taxes. Many analysts believe that dual citizenship will encourage Mexicans living in the United States to become U.S. citizens.⁵¹ More than 40 nations (including Israel) permit dual citizenship.

⁴⁹ As noted above, these are not individual rights. For example, many Mexican laws conflict with the Constitution, yet prior to 1994 there was no mechanism, including the Supreme Court, to rule on constitutionality. Since the 1994 reforms, all Supreme Court decisions have addressed conflicts among politicians, not complaints by individual citizens. See Rubio and Magaloni.

⁵⁰ State legislatures are expected to ratify quickly (2/3 are required). The new law is expected to go into effect in January 1998.

⁵¹ The INS expects 1.8 million new citizens to be sworn in in 1997. Guillermo X. Garcia, *The Orange County Register*, December 12, 1996, page 13.